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St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund

Slidell, Louisiana

December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-15-04

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Health & Welfare Fund

December 31, 2003

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June 10, 2004

To the Trustees
St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund
Slidell, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of benefit obligations and net assets available for benefits of the St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of December 31, 2003, and the related statement of changes in benefit obligations and net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above fairly present in all material respects, the benefit obligations and net assets available for benefits of the St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of December 31, 2003, and the changes in benefit obligations and net assets available for benefits for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2004 on our consideration of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lee Blue & Company".

(A Professional Corporation)

STATEMENT OF BENEFIT OBLIGATIONS AND NET ASSETS
AVAILABLE FOR BENEFITS

St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund

December 31, 2003

Benefit Obligations

Estimated claims incurred, but not reported	\$ <u>78,000</u>
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Assets

Receivables:

St. Tammany Parish School Board contributions	635,000
Participant's contributions	<u>36,644</u>
Total receivables	<u>671,644</u>

Cash	<u>1,264,007</u>
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Property and equipment

Equipment	9,058
Less accumulated depreciation	<u>9,058</u>
Total property and equipment	<u>-</u>

Total assets	<u>1,935,651</u>
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Liabilities and Deferred Contributions

Accounts payable for administrative expenses	7,461
Deferred contributions	<u>317,500</u>

Total liabilities and deferred contributions	<u>324,961</u>
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NET ASSETS AVAILABLE FOR BENEFITS	<u>1,610,690</u>
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EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ 1,532,690</u>
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See accompanying notes to financial statements.

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS AND
NET ASSETS AVAILABLE FOR BENEFITS

St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund

Year ended December 31, 2003

Net Increase in Benefit Obligations

Increase (Decrease) during the year attributable to:

Estimated claims incurred, but not reported	\$ <u>25,900</u>
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Net Increase in Net Assets Available for Benefits

Contributions:

St. Tammany Parish School Board	635,000
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Voluntary employee	429,511
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Total contributions	<u>1,064,511</u>
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Investment income:

Interest	<u>1,157</u>
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Total additions	<u>1,065,668</u>
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Payments:

Claims	832,012
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Administrative expenses	<u>151,967</u>
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Total deductions	<u>983,979</u>
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NET INCREASE	<u>81,689</u>
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Increase in Net Assets Available for Benefits

<u>Over Benefit Obligations</u>	55,789
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Excess of Net Assets Available for Benefits

Over Benefit Obligations

Beginning of year	<u>1,476,901</u>
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End of year	<u>\$ 1,532,690</u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

St. Tammany Federation of Teachers/School Employees Health & Welfare Fund

December 31, 2003

Note 1 - FUND DESCRIPTION

The Fund was established May 13, 1993 pursuant to a collective bargaining agreement entered into by and between the St. Tammany Parish School Board ("Employer") and the St. Tammany Federation of Teachers/School Employees ("Union"), for and on behalf of teachers and other employees engaged in covered employment under the collective bargaining agreement.

The Fund is a voluntary employee beneficiary association ("VEBA") qualified under Section 501 (c) (9) of the Internal Revenue Code and organized and administered under Louisiana State law. Consequently, a trust agreement was adopted May 13, 1993 governing the Fund's administration and a plan of benefits was adopted subsequently thereto specifying the eligibility rules for employee and dependent participation and the benefits extended by the plan.

Because the Fund has been established for the exclusive benefit of public employees and is funded pursuant to the collective bargaining agreement by contributions of a governmental agency, the Plan is a "governmental plan" exempt from the coverage of ERISA (the Employee Retirement Income Security Act of 1974). Nor is the Plan regulated by Section 302 (c) (5) of the Labor Management Relations Act, despite its collectively bargained status, since the Act exempts from its purview employers and unions in the public sector.

The Fund and Plan are administered by seven Trustees appointed by and represented by the Union. Although authorized by law to offer any benefit sanctioned by Section 501 (c) (9) of the Internal Revenue Code, the Plan presently pays only dental benefits and does not offer major medical benefits of any kind.

Effective January 1, 1999, the Fund began to self-insure all benefits payable by the plan.

The Fund is self administered by an Administrative Manager employed directly by the Board of Trustees. The Fund does contract with a firm to provide claims administration on a monthly per employee cost basis.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared using the accrual basis of accounting.

All contributions submitted to the Fund are administered by the Board of Trustees pursuant to the Plan of Benefits, as amended from time to time. Contributions are due in annual installments and are considered earned on a pro-rata basis.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fund depreciates its furniture and equipment over useful lives of five to seven years using the straight-line method. Depreciation expense for the year ended December 31, 2003 was \$1,056.

The benefit obligation for estimated claims incurred, but not report were estimated by the Plan's actuary based on a percentage of claims paid for the year ended December 31, 2003.

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

At various times during the period, cash on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize the potential risk.

Note 3 - FUNDING POLICY

The St. Tammany Parish School Board contributed \$635,000 to the Fund for the year ended December 31, 2003. An employee may voluntarily contribute additional amounts, determined by the Trustees to purchase coverage for the employee's eligible dependents. Employees contributed \$429,511 during the year to obtain dependent coverage.

If eligibility is terminated due to cessation of employment or a reduction in hours, an employee may pay for extended coverage pursuant to COBRA, state law and Plan rules for limited terms and under the limitations specified in the law and the Plan.

Note 4 - INVESTMENTS

The Fund's assets are held by a bank custodian in an interest bearing account.

Note 5 - INCOME TAXES

The Fund is exempt from income taxes under Section 501 (c) (9) of the U.S. Internal Revenue Code.

Note 6 - RETIREMENT PLAN

Employees of the Fund participate in the Louisiana Teachers' Retirement System and therefore, accrue credits in that Fund's defined benefit plan in accordance with its own eligibility rules. No information is available concerning the Louisiana Teachers' Retirement System's actuarial soundness, net assets, or actuarial present value of accumulated vested and non-vested benefits.

Note 7 - LEASING ARRANGEMENTS

The Fund reimburses the St. Tammany Federation of Teachers/School Employees for office facilities, some equipment, and personnel costs. The amount of such reimbursements for the year totaled \$54,751. As of December 31, 2003 the Fund was indebted to the St. Tammany Federation of Teachers/School Employees for such services in the amount of \$2,358. This amount is included in accounts payable for administrative expenses in the accompanying financial statements.

ADMINISTRATIVE EXPENSES

St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund

Year ended December 31, 2003

(See Independent Auditors' Report on Supplementary Information)

Benefit administration	\$ 68,377
Banking fees	148
Consulting services	7,020
Depreciation	1,056
Dues and subscriptions	600
Education	4,737
Postage and supplies	3,382
Professional fees	11,896
Salaries and reimbursements	<u>54,751</u>
Total administrative expenses	<u>\$ 151,967</u>

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June 10, 2004

To the Trustees
St. Tammany Federation of Teachers/School Employees
Health & Welfare Fund
Slidell, Louisiana

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

We have audited the financial statements of St. Tammany Federation of Teachers/School Employees Health & Welfare Fund as of and for the year ended December 31, 2003 and have issued our report dated June 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. Tammany Federation of Teachers/School Employees Health & Welfare Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards."

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Tammany Federation of Teachers/School Employees Health & Welfare Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Trustees, and the Legislative Auditor's office. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

A handwritten signature in cursive script that reads "L. E. Blue & Company". The signature is written in black ink and is positioned above the printed name of the company.

(A Professional Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

St. Tammany Federation of Teachers/School Employees Health & Welfare Fund

Year ended December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not
 considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Section II - Financial Statement Findings - None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

St. Tammany Federation of Teachers/School Employees Health & Welfare Fund

Year ended December 31, 2003

Prior year finding:

None